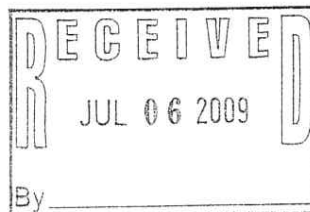


IMPERIAL COUNTY OFFICE OF EDUCATION  
COUNTY OF IMPERIAL  
EL CENTRO, CALIFORNIA

AUDIT REPORT

JUNE 30, 2008

DATE RECEIVED:



AUDIT REVIEW #(s) 04841

Assigned To: MOUNT

Date Reviewed: 7/15/09

Reviewer's Initials: DM

Date Review(s) Completed: 7/15/09

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## Introductory Section

Imperial County Office Of Education  
Audit Report  
For The Year Ended June 30, 2008

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## Financial Section

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**CPA's and Advisors**  
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Tel 619-447-6700 Fax 619-447-6707

**Independent Auditor's Report on Financial Statements**

Board of Trustees  
Imperial County Office Of Education  
El Centro, California 92243

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Imperial County Office Of Education as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Imperial County Office Of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Imperial County Office Of Education as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2008, on our consideration of Imperial County Office Of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the Imperial County Office Of Education's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the combining financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Wilkinson Bailey King & Co., LLP*

El Cajon, California  
November 21, 2008

**Imperial County Office of Education  
Management's Discussion and Analysis (MD&A)  
June 30, 2008  
(Unaudited)**

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis – for State and Local Government, issued in 1999. The MD&A provides a narrative introduction and a comparative analysis of the financial statements for the current and prior years.

This section of the Imperial County Office of Education's (ICOE) annual financial report presents our discussion and analysis of the county office's performance during the fiscal year that ended June 30, 2008.

**Financial Highlights**

- The county office's assets exceeded liabilities by \$55.3 million in 2006-07. In 2007-08 assets exceeded liabilities by \$62.3 million.
- Overall net assets increased by \$6.9 million for the county office.
- Long-term debt in 2007-08 was \$4.73 million which represents an increase of \$1.89 million from 2006-07 balances.
- Overall revenues were \$93.1 million which exceeded expenditures by \$6.9 million in 2007-08. In 2006-07 overall revenues were \$83.8 million and exceeded expenditures by \$8.5 million.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the county office's basic financial statements. The county office's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements**

The new *government-wide financial statements* report information about the county office as a whole, providing both short-term and long-term information about the county office's overall financial status and using accounting methods similar to those used by private-sector business.

The *statement of net assets* presents information on all of the county office assets and liabilities, with the difference between the two reported as net assets.

Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the county office is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the county office changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Government-wide financial statements distinguish between *governmental activities* and *business-type activities*. Since the Imperial County Office of Education has no business-type activities, all county office operations are reported within the category of governmental activities.

### **Fund Financial Statements**

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The county office, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the county office can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflow and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The county office maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Child Development Fund, each of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual data for each of these non-major funds is provided in the form of combining statements elsewhere in this report.

The county office adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided in this report for the General Fund to demonstrate compliance with this budget.

- **Proprietary funds.** The focus of proprietary funds is to account for governmental activities that are similar to activities that may be performed by a commercial enterprise using the full accrual basis of accounting. The two types of proprietary funds are Internal Service Funds and Enterprise Funds. The county office maintains one Internal Service Fund and no Enterprise Funds.

*Internal service funds* are an accounting device used to accumulate and allocate costs internally among the county office's various functions. The county office uses one internal service fund to account for workers' compensation. The internal service fund has been included within the governmental activities in the government-wide financial statements and in the proprietary fund financial statements.

#### **Notes to the financial statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

#### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the county office, assets exceeded liabilities by \$62.3 million at the close of 2007-08.

**Imperial County Office of Education  
Government-wide Statement of Net Assets**

	June 30, 2007	June 30, 2008
<b>Assets</b>		
Cash	29,902,150	37,301,607
Investments	150,000	100,000
Receivables	9,965,253	12,627,723
Due from (to) other funds	0	(1)
Prepaid Expenses	0	281
Capital Assets		
Land	2,987,077	2,987,077
Improvement of Sites	1,680,356	1,744,457
Buildings	23,990,068	27,521,889
Equipment	5,836,698	7,368,919
Work in Progress	3,179,110	4,569,520
Less Accumulated Depreciation	(8,188,605)	(9,399,698)
<b>Total Assets</b>	<u>69,502,107</u>	<u>84,821,774</u>
<b>Liabilities</b>		
Accounts Payable	6,265,149	10,257,796
Deferred revenue	5,068,273	7,566,888
Long-Term Liabilities	2,831,779	4,725,013
Due within one year	696,988	941,734
Due in more than one year	2,134,791	3,783,279
<b>Total Liabilities</b>	<u>14,165,201</u>	<u>22,549,697</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	26,959,024	30,452,930
Restricted for:		
Other purpose (expendable)	27,862,867	31,249,595
Unrestricted	515,015	569,552
	<u>55,336,906</u>	<u>62,272,077</u>

- Approximately 48.9% of the county office's assets reflect its investment in capital assets (e.g., land, buildings, site improvements, and furniture and equipment net of accumulated depreciation), less any related debt (e.g., certificates of participation, obligations under capital leases) used to acquire those assets that are still outstanding. The county office uses these capital assets to provide services to students, schools and the community; consequently, these assets are *not* available for future spending. Although the county office's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.
  
- Approximately 50.2% of the county office's net assets represent other purpose expendable resources that are subject to external restrictions on how they may be used by creditors (such as through debt covenants), grantors, contributors, laws or regulations, constitutional provisions and enabling legislation. Expendable net assets are those that are not required to be retained in perpetuity.

At the end of the current fiscal year, the county office is able to report positive balances in net assets.

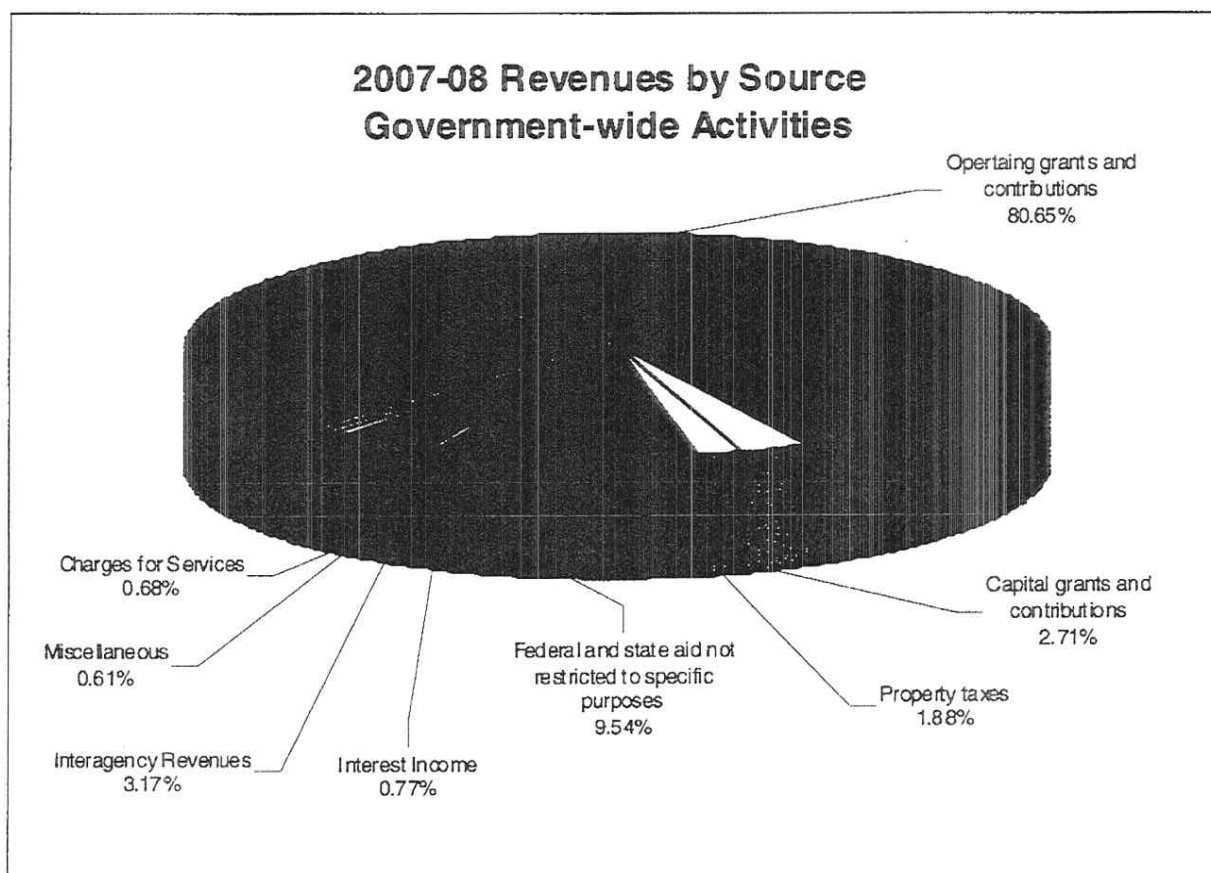
**Governmental Activities.** The key elements of the county office net assets for the year ended June 30, 2008 are as follows:

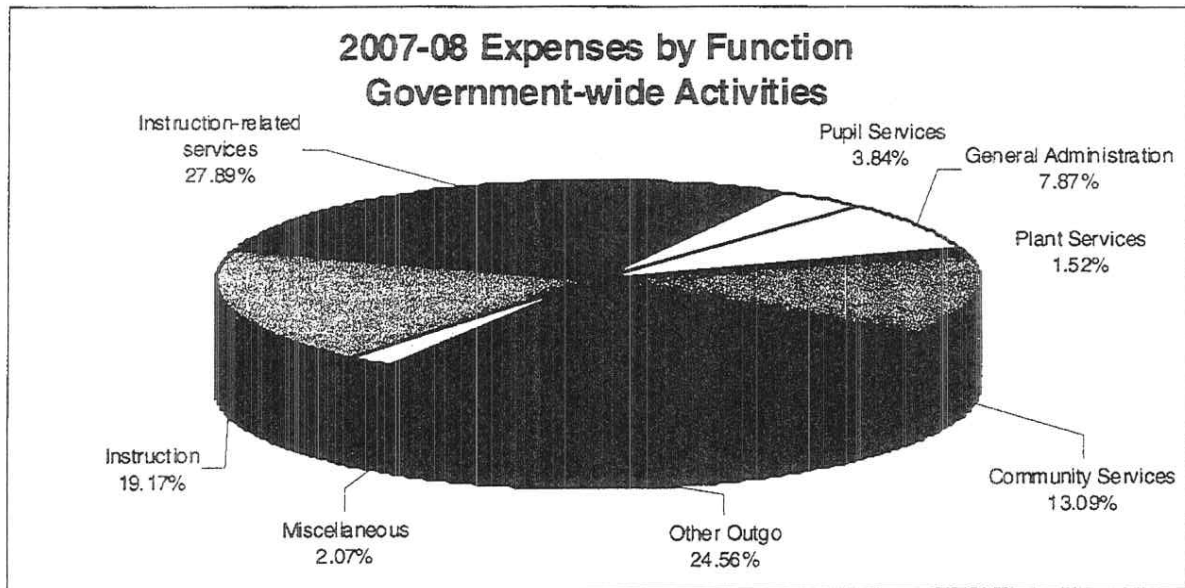
Imperial County Office of Education Government-wide Statement of Activities				
	2006-07	%	2007-08	%
Revenues				
Program Revenues				
Charges for Services	873,902	1.0%	628,196	0.7%
Operating grants and contributions	65,884,390	78.6%	75,043,078	80.6%
Capital grants and contributions	3,068,265	3.7%	2,517,920	2.7%
General Revenues				
Property taxes	1,564,426	1.9%	1,750,706	1.9%
Federal and state aid not restricted to specific purposes	8,608,630	10.3%	8,876,642	9.5%
Interest and Investment earnings	558,089	0.7%	716,533	0.8%
Interagency Revenues	2,418,745	2.9%	2,951,813	3.2%
Miscellaneous	844,772	1.0%	565,513	0.6%
Total Revenues	<u>83,821,219</u>	<u>100.0%</u>	<u>93,050,401</u>	<u>100.0%</u>
Expenditures by Function				
Governmental activities				
Instruction	15,574,840	20.7%	16,506,483	19.2%
Instruction-related services				
Supervision of Instruction	13,218,236	17.5%	13,982,046	16.2%
Instructional library, media and technology	1,261,467	1.7%	8,244,727	9.6%
School site administration	1,560,866	2.1%	1,790,003	2.1%
Pupil Services				
Home-to-school transportation	40,866	0.1%	35,053	0.0%
Food Services	364,745	0.5%	407,088	0.5%
All other pupil services	2,720,656	3.6%	2,866,930	3.3%
General Administration				
Data Processing	1,575,906	2.1%	1,743,855	2.0%
All other general administration	4,603,927	6.1%	5,029,146	5.8%
Plant Services	1,277,715	1.7%	1,307,911	1.5%
Ancillary services	269,345	0.4%	317,681	0.4%
Community services	10,990,579	14.6%	11,268,453	13.1%
Enterprise activities	0	0.0%	0	0.0%
Interest on long-term debt	94,885	0.1%	127,424	0.1%
Other outgo	20,677,199	27.4%	21,146,982	24.6%
Depreciation (unallocated)	1,128,980	1.5%	1,341,448	1.6%
Total Expenses	<u>75,360,212</u>	<u>100.0%</u>	<u>86,115,230</u>	<u>100.0%</u>
Change in Net Assets	8,461,007		6,935,171	
Net assets beginning	46,875,899		55,336,906	
Net assets ending	55,336,906		62,272,077	

- The largest dollar increase in revenues continues to be from categorical funding.
- State aid increased by 4.53% cost of living adjustment (COLA). State aid is based primarily on average daily attendance (ADA) and other appropriations. If a student is in attendance a full 180 days, the state awards the county office one ADA.



- Property tax revenues increased by \$0.19 million in 2007-08. Increases or decreases in property taxes do not represent a gain or loss of funding to ICOE as property taxes offset the base revenue limit guaranteed by the state.
- Approximately 50.9% of the total budget was spent on instruction, instruction related services, and services to pupils. This percentage is 67% if pass-through expenses are excluded from the calculation. Pass-through resources are those funds received by ICOE from granting agencies and passed through to districts for their use.
- The community services activity represents about 13.1% of total expenses. This is mainly due to activities concerned with providing community services to community participants other than students (e.g. providing childcare services for working parents).





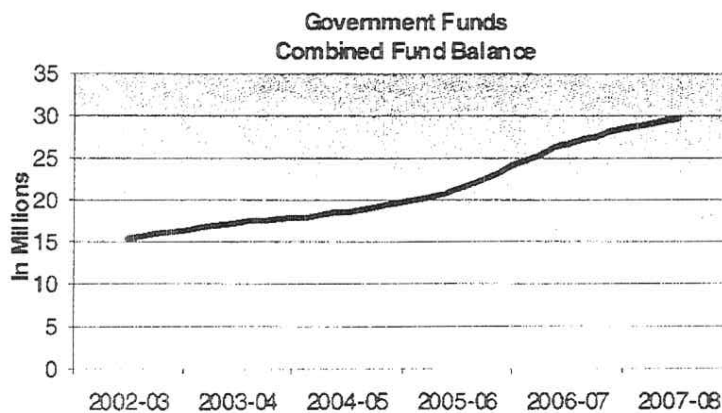
### Financial Analysis of the County Office Funds

As noted earlier, the county office uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Fund	Fund Balance					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
General Fund	11,344,415	12,589,311	13,031,157	15,326,111	17,694,127	20,338,722
Child Development Fund	63,289	286,464	246,375	342,941	579,733	635,616
Deferred Maintenance Fund	1,988,135	2,314,248	2,785,714	3,139,057	3,217,437	3,756,967
Special Reserve Fund	1,242,114	1,336,764	1,593,823	1,914,208	2,290,264	2,344,800
Building Fund	447,973	404,391	365,447	281,297	281,864	280,911
Capital Facilities Fund	17,130	24,371	68,685	84,419	41,017	0
Lease-Purchase Fund	140	3	3	0	0	0
County School Facilities Fund	197,721	186,072	346,589	52,734	2,517,885	2,264,588
<b>Total Fund Balances</b>	<b>15,300,917</b>	<b>17,141,624</b>	<b>18,437,793</b>	<b>21,140,767</b>	<b>26,622,327</b>	<b>29,621,604</b>

**Governmental funds.** The focus of the county office's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the county office's financing requirements.

Government funds report the differences between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. Reserved balances indicate the portion of the county office's fund balances that are not available for appropriation. The unreserved fund balance is, in turn, subdivided between designated and undesignated portions. Designations reflect limitations on the use of otherwise available expendable financial resources in governmental funds. The limitations include federal, state, donor-authorized and county office self-imposed.



In general, fund balances of debt service, capital projects, and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the county office's discretion.

As the county office completed the year, its governmental funds reported a combined fund balance of \$29.6 million, \$3.0 million higher than the previous year.

### **General Fund**

The General Fund is the chief operating fund for all education agencies and is used to account for the ordinary operations of the organization except for those required or permitted by law to be accounted for in another fund.

The General Fund balance at the end of the 2007-08 fiscal year was \$20.3 million which represents an increase of \$2.6 million over the prior year. The primary reason for this increase is due to unspent funds in restricted entitlements and Board designated programs.

Following is a breakdown of the primary designations and or reserved balances of the General Fund:

*Designations for restricted balance.* State, federal and donor authorized funding restrictions mandate that carryover balances of funds be restricted for the purposes set forth in the grant agreements or contracts. The amount reserved for restricted balances at the end of the fiscal year was \$7.4 million.

*Designation for economic uncertainty reserve.* As required by state law, the county office has established an undistributed reserve within the General Fund. This reserve is required to be at least 2% of General Fund expenditures set aside for contingencies or possible reductions in state funding and is not to be used in the negotiations or settlement of contract salaries. As of June 30 2008, the \$6.3 million held in reserve meets the 2% requirement.

*Other Designations.* Other designations totaling \$6.7 million are reserved by the governing board for local projects in accordance with agreements with local agencies and school districts. The agreements are for ongoing programs that the county office provides and coordinates with school districts and local agencies that are for specific program uses and therefore, not available for spending at the county office's discretion.

**Child Development Fund**

The Child Development Fund is authorized by the State Department of Education to account for the operation of various Child Development programs. These programs are accounted for in a separate fund to comply with statewide accounting procedures.

The Child Development Fund balance increased by \$0.55 million in the 2007-08 fiscal year, due to amounts earned and transferred into the Child Development Center Base Reserve account.

*Designations for restricted balance.* The Child Development Fund balance of \$0.64 million is restricted by state law to be spent for the purpose of operating child development programs.

**Deferred Maintenance Fund**

The State Legislature established the Deferred Maintenance Fund in 1980 to assist districts in maintaining facilities and sites. The county office has participated in the Deferred Maintenance program since its inception which requires both the local district and the State of California to share equally in the cost of major Deferred Maintenance projects with the maximum contribution from the State limited to approximately one-half of one percent of the county office's General Fund.

*Designations for restricted balance.* Ending balance for the Deferred Maintenance Fund is \$3.8 million. This represents an increase of \$0.54 million.

**Special Reserve Fund**

The Special Reserve Fund is used primarily for the accumulation of General Fund monies for general operating purposes other than for capital outlay.

The ending fund balance at the end of the fiscal year was \$2.3 million.

*Other Designations.* Other designations totaling \$1.8 million are reserved by the governing board for retiree health benefits and therefore, not available for spending at the county office's discretion.

*Undesignated Fund Balance.* The unreserved / undesignated portion of fund balance was \$0.57 million at the end of the fiscal year.

**Building Fund**

The Building Fund exists primarily to account separately for proceeds from the sale of bonds and other authorized uses such as proceeds from the sale or lease-with-option to purchase of real property. The county office uses this fund to account for the issuance of \$3 million dollars in Certificates of Participation (COPs) to refinance a lease/purchase agreement dated as of July 1, 1995 and for the rehabilitation, construction and renovation of new classrooms and offices associated with the Office's Education Center and for the acquisition of the Child Development Building.

*Designations for restricted balance.* The Building Fund ending balance of \$0.28 million is restricted for the purposes as specified on the Certificates of Participation.

**County School Facilities Fund**

The County School Facilities Fund was established to account for apportionments received from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) for new school facility construction, modernization projects and facility hardship grants.

*Designations for restricted balance.* \$2.3 million ending fund balance in the County School Facilities Fund is restricted to facility school expenditures for new classrooms and a modernization project.

## General Fund Budgetary Highlights

During the year, the Board revised the county office's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and final amended budget was an increase of \$3.4 million or 4.3% in total general fund expenditures.

	<u>% of Total</u>	<u>Final Amended Budget</u>	<u>Change</u>	<u>% of Change</u>	<u>Original Budget</u>
Revenue Limit Sources	12.23%	10,019,489	940,752	10.36%	9,078,737
Federal Revenue	27.83%	22,797,586	565,776	2.54%	22,231,810
Other State Revenue	43.71%	35,806,580	1,301,539	3.77%	34,505,041
Other Local Revenue	16.23%	13,292,861	451,623	3.52%	12,841,238
Total Revenue	100.00%	81,916,516	3,259,690	4.14%	78,656,826
Instruction	17.60%	14,587,151	(798,500)	-5.19%	15,385,651
Instruction-Related Services	38.43%	31,853,406	1,403,203	4.61%	30,450,203
Pupil Services	4.11%	3,406,755	(264,704)	-7.21%	3,671,459
Ancillary Services	0.43%	353,257	(160,628)	-31.26%	513,885
Community Services	0.11%	93,079	90,079	3002.63%	3,000
Enterprise	0.00%	0	0	0.00%	0
General Administration	8.77%	7,268,199	452	0.01%	7,267,747
Plant Services	4.22%	3,495,260	2,383,863	214.49%	1,111,397
Other Outgo	26.34%	21,830,242	761,176	3.61%	21,069,066
Total Expenditures	100.00%	82,887,349	3,414,941	4.30%	79,472,408
Interfund Transfers					
Transfers In	0.00%	0	0	0.00%	0
Transfers Out	0.61%	506,259	0	0.00%	506,259
Other Sources (Uses)					
Sources	2.73%	2,261,828	2,261,828	0.00%	0
Uses	0.00%	0	0	0.00%	0
Total Other Financing Sources (Uses)	3.34%	2,768,087	2,261,828	446.77%	506,259

- During the year, final budgeted revenues increased original budgetary estimates by \$5.5 million or 7.0%, to account for increase in categorical funding.
- For comparative purposes, the following table is presented to show General Fund actuals by Standardized Account Code Structure (SACS) functions and changes from fiscal year 2006-07 to 2007-08:

	<u>% of Total</u>	<u>Actuals 2007-08</u>	<u>Change</u>	<u>% of Change</u>	<u>Actuals 2006-07</u>
Instruction	19.29%	14,352,589	510,574	3.69%	13,842,016
Instruction-Related Services	33.43%	24,876,696	8,891,767	55.63%	15,984,929
Pupil Services	4.50%	3,348,750	186,532	5.90%	3,162,218
Ancillary Services	0.43%	316,772	44,962	16.54%	271,810
Community Services	0.08%	59,989	(80,139)	-57.19%	140,128
Enterprise	0.00%	0	0	0.00%	0
General Administration	8.29%	6,172,192	675,295	12.29%	5,496,897
Plant Services	4.39%	3,267,694	2,127,569	186.61%	1,140,125
Other Outgo	29.59%	22,015,590	239,420	1.10%	21,776,170
	<u>100.00%</u>	<u>74,410,271</u>	<u>12,595,979</u>	<u>20.38%</u>	<u>61,814,292</u>

- Actual expenditures were \$9.0 million below final budgeted amounts.
  - Variances primarily resulted from expenditure-driven federal and state grants that are included in the budgets at their full estimated earned amounts. Such grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than amounts budgeted.

### Capital Asset and Debt Administration

**Capital Assets.** As of June 30, 2008, the county office had \$34.8 million in a broad range of capital assets, including land, buildings, site improvements, furniture and equipment (net of accumulated depreciation). This amount represents a net increase of approximately \$5.31 million, or 18.0% percent, from the previous year. Activity for the year is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land	2,987,077			2,987,077
Improvement of Sites	1,680,356	64,101		1,744,457
Buildings	23,990,068	3,531,820		27,521,888
Equipment	5,836,698	1,683,271	151,050	7,368,918
Work in Progress	3,179,110	3,723,522	2,333,112	4,569,520
	<u>37,673,309</u>	<u>9,002,714</u>	<u>2,484,163</u>	<u>44,191,861</u>
Accumulated Depreciation:				
Improvement of Sites	467,235	69,460		536,695
Buildings	4,291,332	582,805		4,874,137
Equipment	3,430,038	689,183	130,355	3,988,867
	<u>8,188,605</u>	<u>1,341,448</u>	<u>130,355</u>	<u>9,399,699</u>
Net Governmental Activity for Capital Assets	29,484,704			34,792,162

- Increase to the Improvement of Sites, Buildings, and Equipment categories were mainly due to playground rubber surfacing.

- The increase to construction is due to the completion of school facilities projects.
- Increases to the equipment category included \$0.07 million for vehicle purchase, \$0.10 million for copiers, \$0.01 million for metal detector, \$0.20 million for phone system, \$0.15 million for a virtualization project, \$0.02 million for video conference units and the remaining \$1.13 in computer equipment for various departments. Overall net increases after disposals were \$1.53 million.
- The increase to Work in Progress is due to school facility costs for the construction of new classrooms, and modernization.



**Debt Administration.** In April 1999, the county office issued certificates of participation (COP) in the amount of \$3 million with interest rates ranging from 3.2% to 4.75%. As of June 30, 2008 long-term balance for certificates of participation was \$1.6 million.

<b>Certificates of Participation</b>				
<b>Fiscal Year</b>	<b>Beginning Balance</b>	<b>Principal</b>	<b>Interest</b>	<b>Ending Balance</b>
2000-01	2,850,000	0	59,200	2,850,000
2001-02	2,850,000	155,000	115,765	2,695,000
2002-03	2,695,000	160,000	110,330	2,535,000
2003-04	2,535,000	170,000	104,470	2,365,000
2004-05	2,365,000	175,000	98,473	2,190,000
2005-06	2,190,000	180,000	91,470	2,010,000
2006-07	2,010,000	190,000	84,253	1,820,000
2007-08	1,820,000	195,000	76,551	<b>1,625,000</b>
2008-09	1,625,000	205,000	68,349	1,420,000
2009-10	1,420,000	210,000	59,633	1,210,000
2010-11	1,210,000	220,000	50,385	990,000
2011-12	990,000	230,000	40,483	760,000
2012-13	760,000	240,000	29,905	520,000
2013-14	520,000	255,000	18,516	265,000
2014-15	265,000	265,000	6,294	0

The county office leases copiers and related equipment under agreements that provide for title to pass upon expiration of the lease period. During the most recent fiscal year, ten new copiers were acquired increasing long-term debt by \$108,590. As of June 30, 2008, the county office's long-term debt balance was \$306,219 for 58 copiers and related equipment.

<b>Fiscal Year</b>	<b>Long-Term Debt</b>	<b>Principal</b>	<b>Interest</b>	<b>Ending Balance</b>
2007-08	406,921	100,702	17,771	<b>306,219</b>
2008-09	306,219	96,502	17,030	209,717
2009-10	209,717	90,472	15,966	119,245
2010-11	119,245	70,397	12,423	48,848
2011-12	48,848	40,942	7,225	7,906
2012-13	7,906	7,906	1,395	0

The county office received from the California Department of Education Child Care Facilities Revolving Fund Program loans to purchase and install four relocatable child care facilities at Migrant centers in Holtville, Calexico, El Centro, and Brawley and four relocatables at various Child Development State Preschool sites. The loans call for ten equal installments and the balance as of June 30, 2008 was \$298,699.

<b>Fiscal Year</b>	<b>Beginning Balance</b>	<b>Payment</b>	<b>Ending Balance</b>
2003-04	898,022	108,865	789,157
2004-05	789,157	163,865	625,293
2005-06	625,293	108,865	516,428
2006-07	516,428	108,865	407,564
2007-08	407,564	108,865	<b>298,699</b>
2008-09	298,699	108,865	189,835
2009-10	189,835	108,835	81,000
2010-11	81,000	40,500	40,500
2011-12	40,500	40,500	0

The county office acquired a FlexFund program for the Calexico Main Administrative Center. The loan calls for 24 installments and the balance as of June 30, 2008 was 2,109,316.

<b>Fiscal Year</b>	<b>Date</b>	<b>Beginning Balance</b>	<b>Principal</b>	<b>Interest</b>	<b>Ending Balance</b>
2007-08	06/01/08	2,199,977.00	90,661.00	26,293.39	<b>2,109,316.00</b>
2008-09	12/01/08	2,109,316.00	72,027.00	44,928.43	2,037,289.00
2008-09	06/19/09	2,037,289.00	73,561.00	43,394.26	1,963,728.00
2009-10	12/01/09	1,963,728.00	75,128.00	41,827.41	1,888,600.00
2009-10	06/01/10	1,888,600.00	76,727.00	40,227.18	1,811,873.00
2010-11	12/01/10	1,811,873.00	78,362.00	38,592.89	1,733,511.00
2010-11	06/01/11	1,733,511.00	80,031.00	36,923.78	1,653,480.00
2011-12	12/01/11	1,653,480.00	81,736.00	35,219.12	1,571,744.00
2011-12	06/01/12	1,571,744.00	83,476.00	33,478.15	1,488,268.00
2012-13	12/01/12	1,488,268.00	85,255.00	31,700.11	1,403,013.00
2012-13	06/01/13	1,403,013.00	87,070.00	29,884.18	1,315,943.00
2013-14	12/01/13	1,315,943.00	88,925.00	28,029.59	1,227,018.00
2013-14	06/01/14	1,227,018.00	90,819.00	26,135.48	1,136,199.00
2014-15	12/01/14	1,136,199.00	92,754.00	24,201.04	1,043,445.00
2014-15	06/01/15	1,043,445.00	94,730.00	22,225.38	948,715.00
2015-16	12/01/15	948,715.00	96,747.00	20,207.63	851,968.00
2015-16	06/01/16	851,968.00	98,807.00	18,146.92	753,161.00
2016-17	12/01/16	753,161.00	100,912.00	16,042.33	652,249.00
2016-17	06/01/17	652,249.00	103,061.00	13,892.90	549,188.00
2017-18	12/01/17	549,188.00	105,258.00	11,697.70	443,930.00
2017-18	06/01/18	443,930.00	107,499.00	9,455.71	336,431.00
2018-19	12/01/18	336,431.00	109,789.00	7,165.98	226,642.00
2018-19	06/01/19	226,642.00	112,127.00	4,827.47	114,515.00
2019-20	12/01/19	114,515.00	114,515.00	2,439.17	0.00

The current portion of accumulated unpaid employee vacation benefits recorded as a liability at the end of the 2007-08 fiscal year was \$385,779. This amount represents a net increase of \$79,678 from the previous year. Following is a comparison by function for accumulated unpaid employee vacation benefits:

#### Compensated Absences

Function	2006-07	Increase (Decrease)	2007-08
Instruction	\$ 24,450.84	\$ 11,309.20	\$ 35,760.04
Supervision of Instruction	\$ 55,619.93	\$ 23,424.80	\$ 79,044.73
Instructional Library, Media and Technology	\$ 10,575.35	\$ (272.30)	\$ 10,303.05
School Site Administration	\$ 17,936.64	\$ 248.63	\$ 18,185.27
Home-to-School Transportation			
Food Services			
All Other Pupil Services			
Ancillary Services	\$ 8,401.61	\$ 3,436.49	\$ 11,838.09
Community Services	\$ 30,311.54	\$ 7,702.62	\$ 38,014.15
Enterprise Activities	\$ 4,062.78	\$ 143.19	\$ 4,205.97
All Other General Administration	\$ 85,001.27	\$ 17,240.64	\$ 102,241.91
Data Processing Services	\$ 55,540.25	\$ 12,999.39	\$ 68,539.65
Plant Services	\$ 14,201.61	\$ 3,444.87	\$ 17,646.48
Facilities Acquisition and Construction			
	\$ 306,101.80	\$ 79,677.54	\$ 385,779.34

#### Factors Bearing on the County's Future

At the time these financial statements were prepared, the County was not aware of any existing circumstances that could significantly affect its financial health in the future.

#### Contacting the County's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Internal Business Department, Imperial County Office of Education, 1398 Sperber Road, El Centro, CA 92243.

## Basic Financial Statements

**IMPERIAL COUNTY OFFICE OF EDUCATION****STATEMENT OF NET ASSETS**

JUNE 30, 2008

	Governmental Activities
<b>ASSETS:</b>	
Cash in County Treasury	\$ 37,020,717
Cash with a Fiscal Agent/Trustee	280,893
Investments	100,000
Accounts Receivable	12,627,719
Other Current Assets	281
Capital Assets:	
Land	2,987,077
Improvements	1,744,457
Buildings	27,521,889
Equipment	7,368,919
Work in Progress	4,569,520
Less Accumulated Depreciation	(9,399,698)
Total Assets	<u>84,821,774</u>
<b>LIABILITIES:</b>	
Accounts Payable	10,257,796
Deferred Revenue	7,566,888
Long-term Liabilities	
Due within one year	941,734
Due in more than one year	3,783,279
Total Liabilities	<u>22,549,697</u>
<b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	30,452,930
Restricted for:	
Other Purposes (expendable)	31,249,595
Unrestricted	569,552
Total Net Assets	<u>\$ 62,272,077</u>

The accompanying notes are an integral part of this statement.

## IMPERIAL COUNTY OFFICE OF EDUCATION

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>PRIMARY GOVERNMENT:</b>					
Government Activities:					
Instruction	\$ 16,506,483	\$ 175,732	\$ 14,037,156	\$ 2,517,920	\$ 224,325
Instruction-Related Services	24,016,776	363,692	22,476,578	-	(1,176,506)
Pupil Services	3,309,071	15,071	2,796,371	-	(497,629)
General Administration	6,773,001	44,358	3,430,387	-	(3,298,256)
Plant Services	1,307,911	1,687	916,335	-	(389,889)
Ancillary Services	317,681	-	200,926	-	(116,755)
Community Services	11,268,453	26,905	11,303,114	-	61,566
Interest on Long-Term Debt	127,424	-	-	-	(127,424)
Other Outgo	21,146,982	751	19,882,211	-	(1,264,020)
Depreciation (unallocated)	1,341,448	-	-	-	(1,341,448)
Total Governmental Activities	86,115,230	628,196	75,043,078	2,517,920	(7,926,036)
Total Primary Government	<u>\$ 86,115,230</u>	<u>\$ 628,196</u>	<u>\$ 75,043,078</u>	<u>\$ 2,517,920</u>	<u>(7,926,036)</u>
General Revenues:					
Taxes and Subventions					1,750,706
Federal and State Revenues, not restricted					8,876,642
Interest and Investment Earnings					716,533
Interagency Revenues					2,951,813
Miscellaneous					565,513
Total General Revenues					14,861,207
Change in Net Assets					6,935,171
Net Assets - Beginning					55,336,906
Net Assets - Ending					<u>\$ 62,272,077</u>

The accompanying notes are an integral part of this statement.

**IMPERIAL COUNTY OFFICE OF EDUCATION****BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2008

	General Fund	Child Development Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash in County Treasury	\$ 24,285,990	\$ 1,395,811	\$ 9,107,614	\$ 34,789,415
Cash with a Fiscal Agent/Trustee	-	-	280,893	280,893
Investments	100,000	-	-	100,000
Accounts Receivable	11,529,227	1,039,969	48,282	12,617,478
Due from Other Funds	381,107	25,589	234,707	641,403
Prepaid Expenditures	281	-	-	281
Total Assets	<u>\$ 36,296,605</u>	<u>\$ 2,461,369</u>	<u>\$ 9,671,496</u>	<u>\$ 48,429,470</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 8,123,500	\$ 1,065,764	\$ 1,023,673	\$ 10,212,937
Due to Other Funds	615,918	407,326	558	1,023,802
Deferred Revenue	7,218,465	352,663	-	7,571,128
Total Liabilities	<u>15,957,883</u>	<u>1,825,753</u>	<u>1,024,231</u>	<u>18,807,867</u>
<b>Fund Balance:</b>				
<b>Reserved Fund Balances:</b>				
Reserve for Prepaid Items	280	-	-	280
Reserve for Legally Restricted Balance	7,422,906	-	-	7,422,906
<b>Designated Fund Balances:</b>				
Designated for Economic Uncertainties	6,263,294	-	-	6,263,294
Other Designated	6,652,242	-	1,775,248	8,427,490
Unreserved	-	635,616	-	635,616
<b>Unreserved, reported in nonmajor:</b>				
Special Revenue Funds	-	-	4,326,519	4,326,519
Capital Projects Funds	-	-	2,545,498	2,545,498
Total Fund Balance	<u>20,338,722</u>	<u>635,616</u>	<u>8,647,265</u>	<u>29,621,603</u>
Total Liabilities and Fund Balances	<u>\$ 36,296,605</u>	<u>\$ 2,461,369</u>	<u>\$ 9,671,496</u>	<u>\$ 48,429,470</u>

The accompanying notes are an integral part of this statement.

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2008

Total fund balances - governmental funds balance sheet \$ 29,621,603

Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.

Capital assets relating to governmental activities, at historical cost	44,191,862	
Accumulated depreciation	(9,399,698)	
Net		34,792,164

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatrued interest owing at the end of the period was: (13,538)

Deferred recognition of earned but unavailable revenues: In governmental funds, revenue is recognized only to the extent that it is "available", meaning it will be collected soon enough after the end of the period to finance expenditures of that period. Receivables for revenues that are earned but unavailable are deferred until the period in which the revenue becomes available. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of unavailable revenues that were deferred as a liability in governmental funds, but are recognized in the government-wide statements, is: 4,240

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities are reported. Long-term liabilities relating to governmental activities consist of:

Compensated absences payable	385,779	
Certificates of participation payable	1,625,000	
Capital leases payable	306,219	
Other general long-term debt	2,408,015	
Total		(4,725,013)

Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets. Net assets for internal service funds are: 2,592,621

Net assets of governmental activities - statement of net assets \$ 62,272,077

The accompanying notes are an integral part of this statement.



**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	General Fund	Child Development Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Revenue Limit Sources:				
State Apportionments	\$ 7,818,596	\$ -	\$ -	\$ 7,818,596
Local Sources	2,103,245	-	-	2,103,245
Federal Revenue	20,054,521	4,927,271	-	24,981,792
Other State Revenue	31,619,222	10,222,935	2,725,662	44,567,819
Other Local Revenue	13,109,698	252,635	218,446	13,580,779
Total Revenues	<u>74,705,282</u>	<u>15,402,841</u>	<u>2,944,108</u>	<u>93,052,231</u>
<b>Expenditures:</b>				
Instruction	14,352,590	2,185,835	-	16,538,425
Instruction - Related Services	24,876,696	406,496	-	25,283,192
Pupil Services	3,348,750	11,456	-	3,360,206
Ancillary Services	316,772	-	-	316,772
Community Services	59,989	11,258,985	-	11,318,974
General Administration	6,172,192	1,116,147	-	7,288,339
Plant Services	3,267,692	249,763	2,825,273	6,342,728
Other Outgo	21,146,768	-	-	21,146,768
Debt Service:				
Principal	183,362	116,864	195,000	495,226
Interest	42,632	1,412	76,551	120,595
Total Expenditures	<u>73,767,443</u>	<u>15,346,958</u>	<u>3,096,824</u>	<u>92,211,225</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>937,839</u>	<u>55,883</u>	<u>(152,716)</u>	<u>841,006</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	41,017	-	492,531	533,548
Transfers Out	(642,828)	-	(41,017)	(683,845)
Other Sources	2,308,567	-	-	2,308,567
Total Other Financing Sources (Uses)	<u>1,706,756</u>	<u>-</u>	<u>451,514</u>	<u>2,158,270</u>
Net Change in Fund Balance	2,644,595	55,883	298,798	2,999,276
Fund Balance, July 1	17,694,127	579,733	8,348,467	26,622,327
Fund Balance, June 30	<u>\$ 20,338,722</u>	<u>\$ 635,616</u>	<u>\$ 8,647,265</u>	<u>\$ 29,621,603</u>

The accompanying notes are an integral part of this statement.

**IMPERIAL COUNTY OFFICE OF EDUCATION**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds \$ 2,999,276

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is: 5,328,155

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 495,227

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (2,308,567)

Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is: (20,695)

Earned but unavailable revenues: In governmental funds, revenues are recognized only to the extent that they are "available", meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of earned but unavailable revenue relating to the current period, less revenues that became available in the current period but related to a prior period, is: (1,833)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (6,830)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: (79,677)

Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period that it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is: (213)

Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: 530,328

Change in net assets of governmental activities - statement of activities \$ 6,935,171

The accompanying notes are an integral part of this statement.

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUND**  
**JUNE 30, 2008**

	Nonmajor Internal Service Fund	Self-Insurance Fund
<b>ASSETS:</b>		
Current Assets:		
Cash in County Treasury	\$ 2,231,302	
Accounts Receivable	10,243	
Due from Other Funds	382,483	
Total Current Assets	2,624,028	
Total Assets	\$ 2,624,028	
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable	\$ 31,323	
Due to Other Funds	84	
Total Current Liabilities	31,407	
Total Liabilities	31,407	
<b>NET ASSETS:</b>		
Unrestricted Net Assets	2,592,621	
Total Net Assets	\$ 2,592,621	

The accompanying notes are an integral part of this statement.

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - INTERNAL SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
Local Revenue	\$ 1,361,171
Total Revenues	<u>1,361,171</u>
Operating Expenses:	
Services and Other Operating Expenses	981,140
Total Expenses	<u>981,140</u>
Income (Loss) before Contributions and Transfers	380,031
Interfund Transfers In	150,297
Change in Net Assets	<u>530,328</u>
Total Net Assets - Beginning	2,062,293
Total Net Assets - Ending	<u>\$ 2,592,621</u>

The accompanying notes are an integral part of this statement.

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Nonmajor Internal Service Fund Self-Insurance Fund
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ 1,311,286
Cash Payments to Other Suppliers for Goods and Services	(1,167,305)
Net Cash Provided (Used) by Operating Activities	<u>143,981</u>
<b>Cash Flows from Investing Activities:</b>	
Interest and Dividends on Investments	<u>53,491</u>
Net Cash Provided (Used) for Investing Activities	<u>53,491</u>
Net Increase (Decrease) in Cash and Cash Equivalents	197,472
Cash and Cash Equivalents at Beginning of Year	2,033,830
Cash and Cash Equivalents at End of Year	<u>\$ 2,231,302</u>
<b>Reconciliation of Operating Income to Net Cash</b>	
<b>Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ 530,328
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	3,606
Decrease (Increase) in Due From	(332,483)
Increase (Decrease) in Accounts Payable	(4,063)
Increase (Decrease) in Due To	84
Total Adjustments	<u>(332,856)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 197,472</u>

The accompanying notes are an integral part of this statement.

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

**A. Summary of Significant Accounting Policies**

Imperial County Office Of Education (County) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the County conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

**1. Reporting Entity**

The County's combined financial statements include the accounts of all its operations. The County evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the County's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the County holds the corporate powers of the organization
- the County appoints a voting majority of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is fiscal dependency by the organization on the County

The County also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the County to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the County, its component units or its constituents; and 2) The County or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the County.

Based on these criteria, the County has no component units. Additionally, the County is not a component unit of any other reporting entity as defined by the GASB Statement.

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

**Government-wide Statements:** The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the County's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The County reports the following major governmental funds:

**General Fund.** This is the County's primary operating fund. It accounts for all financial resources of the County except those required to be accounted for in another fund.

**Child Development Fund.** This fund is used to account separately for federal, state, and local revenues to operate the child development programs.

In addition, the County reports the following fund types:

**Special Revenue Funds.** These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

**Capital Projects Funds.** These funds are used to account for the proceeds from bond issuances and for the acquisition of capital assets of the district.

**Internal Service Funds.** These funds are used to account for revenues and expenses related to services provided to parties inside the County. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the County's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

**b. Measurement Focus, Basis of Accounting**

**Government-wide and Proprietary Fund Financial Statements:** These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the County incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the County's policy to use restricted resources first, then unrestricted resources.

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The County has chosen to apply future FASB standards.

**3. Encumbrances**

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

**4. Assets, Liabilities, and Equity**

**a. Deposits and Investments**

Cash balances held in banks and in revolving funds are insured to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

In accordance with Education Code Section 41001, the County maintains substantially all its cash in the Imperial County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Imperial County Treasury was not available.

**b. Stores Inventories and Prepaid Expenditures**

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The County has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The County has chosen to report the expenditure when incurred.

**c. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.



**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	20-50
Land Improvements	20
Vehicles	5-15
Office Equipment	5-15
Other Equipment	5-15

d. Receivable and Payable Balances

The County believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the County. The current portion of the liabilities is recognized in the general fund at year end.

Accumulated sick leave benefits are not recognized as liabilities of the County. The County's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

f. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

h. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Imperial bills and collects the taxes for the County.

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

i. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund and reserve for stores inventory reflect the portions of fund balance represented by revolving fund cash and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

j. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Excess of Expenditures Over Appropriations

As of June 30, 2008 expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund	
Debt service-interest	\$ 241,711

D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the County maintains substantially all of its cash in the Imperial County Treasury as part of the common investment pool (\$37,020,715 as of June 30, 2008). The fair value of the County's portion of this pool as of that date, as provided by the pool sponsor, was \$37,020,715. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

2. Investments:

The County's investments at June 30, 2008 are shown below.

<u>Investment or Investment Type</u>	<u>Fair Value</u>
First American Prime Obligations	\$ 280,893
Note - San Pasqual Valley Unified School District	100,000
Total Investments	<u>\$ 380,893</u>

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the County was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the County's name. At year end, the County was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the County was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the County was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the County was not exposed to foreign currency risk.

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

4. Investment Accounting Policy

The County is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The County's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The County's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

E. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 2,987,077	\$ -	\$ -	\$ 2,987,077
Work in progress	3,179,110	3,723,522	2,333,112	4,569,520
Total capital assets not being depreciated	6,166,187	3,723,522	2,333,112	7,556,597
Capital assets being depreciated:				
Buildings	23,990,069	3,531,820	-	27,521,889
Improvements	1,680,356	64,101	-	1,744,457
Equipment	5,836,698	1,683,271	151,050	7,368,919
Total capital assets being depreciated	31,507,123	5,279,192	151,050	36,635,265
Less accumulated depreciation for:				
Buildings	(4,291,332)	(582,805)	-	(4,874,137)
Improvements	(467,235)	(69,460)	-	(536,695)
Equipment	(3,430,038)	(689,183)	(130,355)	(3,988,866)
Total accumulated depreciation	(8,188,605)	(1,341,448)	(130,355)	(9,399,698)
Total capital assets being depreciated, net	23,318,518	3,937,744	20,695	27,235,567
Governmental activities capital assets, net	\$ 29,484,705	\$ 7,661,266	\$ 2,353,807	\$ 34,792,164

Depreciation was charged to functions as follows:

Unallocated	\$ 1,341,448
	<u>\$ 1,341,448</u>

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

**F. Interfund Balances and Activities**

**1. Due To and From Other Funds**

Balances due to and due from other funds at June 30, 2008 consisted of the following:

Due To Fund	Due From Fund	Amount
Child Development Fund	General Fund	\$ 380,466
Capital Facilities Fund	General Fund	557
Self Insurance Fund	General Fund	84
General Fund	Child Development Fund	25,566
Child Development Fund	Child Development Fund	23
General Fund	Deferred Maintenance Fund	234,707
General Fund	Self Insurance Fund	355,623
Child Development Fund	Self Insurance Fund	26,860
		<u>\$ 1,023,886</u>

All amounts due are scheduled to be repaid within one year.

**2. Transfers To and From Other Funds**

Transfers to and from other funds at June 30, 2008 consisted of the following:

Transfers From	Transfers To	Amount
Capital Facilities Fund	County School Facilities Fund	\$ 41,017
General Fund	Self Insurance Fund	150,297
General Fund	Building Fund	257,823
General Fund	Deferred Maintenance Fund	234,707
		<u>\$ 683,844</u>

**G. Short-Term Debt Activity**

The County accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

**H. Long-Term Obligations**

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2008 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Capital leases	\$ 298,331	\$ 108,590	\$ 100,702	\$ 306,219	\$ 96,502
Certificates of participation	1,820,000	-	195,000	1,625,000	205,000
Other long-term debt	407,563	2,199,977	199,525	2,408,015	254,453
Compensated absences *	306,102	116,869	37,192	385,779	385,779
Total governmental activities	<u>\$ 2,831,996</u>	<u>\$ 2,425,436</u>	<u>\$ 532,419</u>	<u>\$ 4,725,013</u>	<u>\$ 941,734</u>

\* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

2. Debt Service Requirements

Debt service requirements on long-term debt, net of certificates of participation, at June 30, 2008 are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2009	\$ 736,734	\$ 105,353	\$ 842,087
2010	351,162	98,020	449,182
2011	296,789	87,940	384,729
2012	219,154	75,922	295,076
2013	180,231	70,885	251,116
2014-2018	979,512	190,035	1,169,547
2019-2023	336,431	14,433	350,864
Totals	<u>\$ 3,100,013</u>	<u>\$ 642,588</u>	<u>\$ 3,742,601</u>

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2008 are as follows:

Year Ending June 30:	
2009	\$ 113,532
2010	106,438
2011	82,819
2012	48,167
2013	17,207
Total Minimum Lease Payments	\$ 368,163
Less Amount Representing Interest	(61,945)
Net Minimum Lease Payments	<u>\$ 306,218</u>

4. Certificates of Participation

Future commitments for certificates of participation as of June 30, 2008 are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2009	\$ 205,000	\$ 68,349	\$ 273,349
2010	210,000	59,633	269,633
2011	220,000	50,385	270,385
2012	230,000	40,482	270,482
2013	240,000	29,905	269,905
2014-2018	520,000	24,810	544,810
Totals	<u>\$ 1,625,000</u>	<u>\$ 273,564</u>	<u>\$ 1,898,564</u>

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

**I. Joint Ventures (Joint Powers Agreements)**

The County participates in two joint powers agreements (JPA) entities, the Imperial Valley Property and Liability (IVPL) and the Self Insurance Program of Imperial County (SIPIC). The relationship between the County and the JPA's is such that the JPA's are not a component unit of the County for financial reporting purposes.

The JPAs arrange for and provide for various types of insurances for its members as requested. The JPAs are governed by a board consisting of a representative from each member. The board controls the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPAs.

Combined condensed unaudited financial information of the County's share of the JPAs for the year ended June 30, 2008 was not available as of the date of this report.

**J. Employee Retirement Systems**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

PERS:

Plan Description

The County contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7% of their salary and the County is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-08 was 9.32% of annual payroll. The contribution requirements of the plan members are established by state statute. The County's contributions to CalPERS for the fiscal year ending June 30, 2008, 2007 and 2006 were \$1,287,314, \$1,173,068 and \$1,130,282, respectively, and equal 100% of the required contributions for each year.

STRS:

Plan Description

The County contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**

Funding Policy

Active plan members are required to contribute 8% of their salary and the County is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-08 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The County's contributions to STRS for the fiscal year ending June 30, 2008, 2007 and 2006 were \$863,143, \$763,477 and \$682,175, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the County was \$356,283.

K. Postemployment Benefits Other Than Pension Benefits

The County provides postretirement health care benefits, as established by board policy, to all employees who retire from the County on or after attaining age 55 with at least 10 years of service.

The County pays health insurance premiums on behalf of qualified pre-Medicare retirees at a rate ranging from 50% to 100% of the cost, depending on length of service and other factors. During the year ended June 30 2008, expenditures of \$223,647 were recognized for postretirement health care. These costs were funded on a pay-as-you-go basis. The County does not recognize a liability for future postemployment health care benefits because the amount cannot be reasonably determined.

L. Commitments and Contingencies

Litigation

The County is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

The County has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

M. GASB Statement No.45

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The pronouncement will require employers providing postemployment benefits, commonly referred to as other postemployment benefits, or OPEB, to recognize and account for the costs of providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement will be phased in over three years based upon the entity's revenues. GASB Statement No. 45 will be effective for the Imperial County Office of Education beginning in the 2008-09 fiscal year. The effect of this pronouncement on the financial condition of the District has not been determined.



## Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

# IMPERIAL COUNTY OFFICE OF EDUCATION

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2008

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 7,368,161	\$ 7,839,612	\$ 7,818,596	\$ (21,016)
Local Sources	1,710,576	2,179,877	2,103,245	(76,632)
Federal Revenue	22,231,810	22,797,586	20,054,521	(2,743,065)
Other State Revenue	34,505,041	35,806,580	31,619,222	(4,187,358)
Other Local Revenue	12,841,238	13,292,861	13,109,698	(183,163)
Total Revenues	<u>78,656,826</u>	<u>81,916,516</u>	<u>74,705,282</u>	<u>(7,211,234)</u>
Expenditures:				
Instruction	15,385,651	14,587,151	14,352,590	234,561
Instruction - Related Services	30,450,203	31,853,406	24,876,696	6,976,710
Pupil Services	3,671,459	3,406,755	3,348,750	58,005
Ancillary Services	513,885	353,257	316,772	36,485
Community Services	3,000	93,079	59,989	33,090
General Administration	7,267,747	7,268,199	6,172,192	1,096,007
Plant Services	1,111,397	3,495,260	3,267,692	227,568
Other Outgo	20,775,081	21,508,934	21,146,768	362,166
Debt Service:				
Principal	279,716	295,004	183,362	111,642
Interest	14,269	26,304	42,632	(16,328)
Total Expenditures	<u>79,472,408</u>	<u>82,887,349</u>	<u>73,767,443</u>	<u>9,119,906</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(815,582)</u>	<u>(970,833)</u>	<u>937,839</u>	<u>1,908,672</u>
Other Financing Sources (Uses):				
Transfers In	-	-	41,017	41,017
Transfers Out	(506,259)	(506,259)	(642,828)	(136,569)
Other Sources	-	2,261,828	2,308,567	46,739
Total Other Financing Sources (Uses)	<u>(506,259)</u>	<u>1,755,569</u>	<u>1,706,756</u>	<u>(48,813)</u>
Net Change in Fund Balance	<u>(1,321,841)</u>	<u>784,736</u>	<u>2,644,595</u>	<u>1,859,859</u>
Fund Balance, July 1	<u>17,694,127</u>	<u>17,694,127</u>	<u>17,694,127</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 16,372,286</u>	<u>\$ 18,478,863</u>	<u>\$ 20,338,722</u>	<u>\$ 1,859,859</u>

# IMPERIAL COUNTY OFFICE OF EDUCATION

CHILD DEVELOPMENT FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal Revenue	\$ 8,584,492	\$ 4,917,794	\$ 4,927,271	\$ 9,477
Other State Revenue	5,452,620	10,389,060	10,222,935	(166,125)
Other Local Revenue	117,367	181,924	252,635	70,711
Total Revenues	<u>14,154,479</u>	<u>15,488,778</u>	<u>15,402,841</u>	<u>(85,937)</u>
Expenditures:				
Instruction	1,957,549	2,228,592	2,185,835	42,757
Instruction - Related Services	439,249	417,040	406,496	10,544
Pupil Services	52,342	12,286	11,456	830
Community Services	10,534,262	11,308,408	11,258,985	49,423
General Administration	953,437	1,128,641	1,116,147	12,494
Plant Services	118,312	286,714	249,763	36,951
Debt Service:				
Principal	113,800	125,891	116,864	9,027
Interest	3,327	1,420	1,412	8
Total Expenditures	<u>14,172,278</u>	<u>15,508,992</u>	<u>15,346,958</u>	<u>162,034</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(17,799)</u>	<u>(20,214)</u>	<u>55,883</u>	<u>76,097</u>
Other Financing Sources (Uses):				
Other Sources	17,799	17,799	-	(17,799)
Total Other Financing Sources (Uses)	<u>17,799</u>	<u>17,799</u>	<u>-</u>	<u>(17,799)</u>
Net Change in Fund Balance	-	(2,415)	55,883	58,298
Fund Balance, July 1	579,733	579,733	579,733	-
Fund Balance, June 30	<u>\$ 579,733</u>	<u>\$ 577,318</u>	<u>\$ 635,616</u>	<u>\$ 58,298</u>

## Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS:</b>			
Cash in County Treasury	\$ 5,838,036	\$ 3,269,578	\$ 9,107,614
Cash with a Fiscal Agent/Trustee	-	280,893	280,893
Accounts Receivable	29,024	19,258	48,282
Due from Other Funds	234,707	-	234,707
Total Assets	<u>\$ 6,101,767</u>	<u>\$ 3,569,729</u>	<u>\$ 9,671,496</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Accounts Payable	\$ -	\$ 1,023,673	\$ 1,023,673
Due to Other Funds	-	558	558
Total Liabilities	<u>-</u>	<u>1,024,231</u>	<u>1,024,231</u>
Fund Balance:			
Designated Fund Balances:			
Other Designated	1,775,248	-	1,775,248
Unreserved, reported in nonmajor:			
Special Revenue Funds	4,326,519	-	4,326,519
Capital Projects Funds	-	2,545,498	2,545,498
Total Fund Balance	<u>6,101,767</u>	<u>2,545,498</u>	<u>8,647,265</u>
Total Liabilities and Fund Balances	<u>\$ 6,101,767</u>	<u>\$ 3,569,729</u>	<u>\$ 9,671,496</u>

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Other State Revenue	\$ 259,321	\$ 2,466,341	\$ 2,725,662
Other Local Revenue	135,272	83,174	218,446
Total Revenues	<u>394,593</u>	<u>2,549,515</u>	<u>2,944,108</u>
Expenditures:			
Plant Services	35,234	2,790,039	2,825,273
Debt Service:			
Principal	-	195,000	195,000
Interest	-	76,551	76,551
Total Expenditures	<u>35,234</u>	<u>3,061,590</u>	<u>3,096,824</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>359,359</u>	<u>(512,075)</u>	<u>(152,716)</u>
Other Financing Sources (Uses):			
Transfers In	234,707	257,824	492,531
Transfers Out	-	(41,017)	(41,017)
Total Other Financing Sources (Uses)	<u>234,707</u>	<u>216,807</u>	<u>451,514</u>
Net Change in Fund Balance	594,066	(295,268)	298,798
Fund Balance, July 1	5,507,701	2,840,766	8,348,467
Fund Balance, June 30	<u>\$ 6,101,767</u>	<u>\$ 2,545,498</u>	<u>\$ 8,647,265</u>

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2008**

	Deferred Maintenance Fund	Special Reserve Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
<b>ASSETS:</b>			
Cash in County Treasury	\$ 3,504,835	\$ 2,333,201	\$ 5,838,036
Accounts Receivable	17,425	11,599	29,024
Due from Other Funds	234,707	-	234,707
Total Assets	<u>\$ 3,756,967</u>	<u>\$ 2,344,800</u>	<u>\$ 6,101,767</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Designated Fund Balances:			
Other Designated	\$ -	\$ 1,775,248	\$ 1,775,248
Unreserved, reported in nonmajor:			
Special Revenue Funds	3,756,967	569,552	4,326,519
Total Fund Balance	<u>3,756,967</u>	<u>2,344,800</u>	<u>6,101,767</u>
Total Liabilities and Fund Balances	<u>\$ 3,756,967</u>	<u>\$ 2,344,800</u>	<u>\$ 6,101,767</u>

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2008

	Deferred Maintenance Fund	Special Reserve Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Other State Revenue	\$ 259,321	\$ -	\$ 259,321
Other Local Revenue	80,736	54,536	135,272
Total Revenues	<u>340,057</u>	<u>54,536</u>	<u>394,593</u>
Expenditures:			
Plant Services	35,234	-	35,234
Total Expenditures	<u>35,234</u>	<u>-</u>	<u>35,234</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>304,823</u>	<u>54,536</u>	<u>359,359</u>
Other Financing Sources (Uses):			
Transfers In	234,707	-	234,707
Total Other Financing Sources (Uses)	<u>234,707</u>	<u>-</u>	<u>234,707</u>
Net Change in Fund Balance	539,530	54,536	594,066
Fund Balance, July 1	3,217,437	2,290,264	5,507,701
Fund Balance, June 30	<u>\$ 3,756,967</u>	<u>\$ 2,344,800</u>	<u>\$ 6,101,767</u>



**IMPERIAL COUNTY OFFICE OF EDUCATION**

## COMBINING BALANCE SHEET

## NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2008

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
<b>ASSETS:</b>				
Cash in County Treasury	\$ 18	\$ -	\$ 3,269,560	\$ 3,269,578
Cash with a Fiscal Agent/Trustee	280,893	-	-	280,893
Accounts Receivable	-	558	18,700	19,258
Total Assets	<u>\$ 280,911</u>	<u>\$ 558</u>	<u>\$ 3,288,260</u>	<u>\$ 3,569,729</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ 1,023,673	\$ 1,023,673
Due to Other Funds	-	558	-	558
Total Liabilities	<u>-</u>	<u>558</u>	<u>1,023,673</u>	<u>1,024,231</u>
Fund Balance:				
Unreserved, reported in nonmajor:				
Capital Projects Funds	280,911	-	2,264,587	2,545,498
Total Fund Balance	<u>280,911</u>	<u>-</u>	<u>2,264,587</u>	<u>2,545,498</u>
Total Liabilities and Fund Balances	<u>\$ 280,911</u>	<u>\$ 558</u>	<u>\$ 3,288,260</u>	<u>\$ 3,569,729</u>

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2008

EXHIBIT C-6

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Other State Revenue	\$ -	\$ -	\$ 2,466,341	\$ 2,466,341
Other Local Revenue	12,774	-	70,400	83,174
Total Revenues	<u>12,774</u>	<u>-</u>	<u>2,536,741</u>	<u>2,549,515</u>
Expenditures:				
Plant Services	-	-	2,790,039	2,790,039
Debt Service:				
Principal	195,000	-	-	195,000
Interest	76,551	-	-	76,551
Total Expenditures	<u>271,551</u>	<u>-</u>	<u>2,790,039</u>	<u>3,061,590</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(258,777)</u>	<u>-</u>	<u>(253,298)</u>	<u>(512,075)</u>
Other Financing Sources (Uses):				
Transfers In	257,824	-	-	257,824
Transfers Out	-	(41,017)	-	(41,017)
Total Other Financing Sources (Uses)	<u>257,824</u>	<u>(41,017)</u>	<u>-</u>	<u>216,807</u>
Net Change in Fund Balance	(953)	(41,017)	(253,298)	(295,268)
Fund Balance, July 1	281,864	41,017	2,517,885	2,840,766
Fund Balance, June 30	<u>\$ 280,911</u>	<u>\$ -</u>	<u>\$ 2,264,587</u>	<u>\$ 2,545,498</u>

## Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

## Supplementary Information Section

# IMPERIAL COUNTY OFFICE OF EDUCATION

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2008

The Imperial County Office of Education was established in 1907. There were no changes in the boundaries of the county office during the current fiscal year. The county office is currently operating five community schools, three court schools, a special education program located at two preschools, twelve elementary schools, six junior high schools, eight high schools, and one community college.

Governing Board		
Name	Office	Term and Term Expiration
Lea Anne O'Malley	President	Four year term Expires December 2011
Susan Manger	Vice President	Four year term Expires December 2011
Alicia Armenta	Member	Four year term Expires December 2009
Herlinda Belcher	Member	Four year term Expires December 2009
James L. Strain	Member	Four year term Expires December 2011
Administration		

John D. Anderson  
County Superintendent

Anne Mallory  
Deputy Superintendent

Todd Finnell  
HSN CEO/Assistant Superintendent  
Technology Services

Linda Menvielle  
Assistant Superintendent  
Educational Services

Angela McNeece  
Assistant Superintendent  
Special Services

Damon Smith  
Assistant Superintendent  
Business Services

Denise Smith  
Assistant Superintendent  
Administrative Services

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**YEAR ENDED JUNE 30, 2008**

**TABLE D-1**

	Second Period Report	Annual Report
Elementary:		
Juvenile Halls, Homes and Camps	13.01	14.82
Community School Pupils	57.52	70.60
Special Education	149.90	162.86
Elementary totals	<u>220.43</u>	<u>248.28</u>
High School:		
Juvenile Halls, Homes and Camps	78.43	75.78
Community School Pupils	275.25	286.16
Special Education	102.50	111.09
High school totals	<u>456.18</u>	<u>473.03</u>
ADA totals	<u>676.61</u>	<u>721.31</u>

Average daily attendance is a measurement of the number of pupils attending classes of the county office. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to county offices. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**YEAR ENDED JUNE 30, 2008**

**TABLE D-2**

Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2007-08 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	36,000	36,000	180	-	Complied
Grade 1	50,400	50,400	51,995	180	-	Complied
Grade 2	50,400	50,400	51,995	180	-	Complied
Grade 3	50,400	50,400	51,995	180	-	Complied
Grade 4	54,000	54,000	55,140	180	-	Complied
Grade 5	54,000	54,000	55,140	180	-	Complied
Grade 6	54,000	54,000	55,140	180	-	Complied
Grade 7	54,000	54,000	55,140	180	-	Complied
Grade 8	54,000	54,000	55,140	180	-	Complied
Grade 9	64,800	64,800	65,149	180	-	Complied
Grade 10	64,800	64,800	65,149	180	-	Complied
Grade 11	64,800	64,800	65,149	180	-	Complied
Grade 12	64,800	64,800	65,149	180	-	Complied

County offices, districts, including basic aid districts, must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201. This schedule is required of all districts, including basic aid districts.

The district has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the district and whether the district complied with the provisions of Education Code Sections 46200 through 46206.

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2008**

**TABLE D-3**

General Fund	(Budget) 2009	2008	2007	2006
Revenues and other financial sources	\$ 80,027,038	\$ 74,746,299	\$ 64,182,308	\$ 63,396,163
Expenditures, other uses and transfers out	81,968,907	72,101,704	61,814,292	61,101,209
Change in fund balance (deficit)	(1,941,869)	2,644,595	2,368,016	2,294,954
Ending fund balance	\$ 18,396,853	\$ 20,338,722	\$ 17,694,127	\$ 15,326,111
Available reserves	\$ 10,726,684	\$ 12,915,535	\$ 11,582,907	\$ 10,434,356
Available reserves as a percentage of total outgo	13.1%	17.9%	18.7%	17.1%
Total long-term debt	\$ 3,792,229	\$ 4,725,013	\$ 2,831,779	\$ 3,078,724
Average daily attendance at P-2	627	677	640	651

This schedule discloses the district's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the district's ability to continue as a going concern for a reasonable period of time.

The general fund balance has increased by \$7,307,565 over the past three years. The fiscal year 2008-09 budget projects a decrease of \$1,941,869. For a county office of this size, the state recommends available reserves of at least 5% of total general fund expenditures, other uses and transfers out.

Long-term debt has increased by \$1,426,877 over the past three years.

Average daily attendance (ADA) has increased by 50 over the past three years.



**IMPERIAL COUNTY OFFICE OF EDUCATION**  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET  
REPORT WITH AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008

**TABLE D-4**

The fund balances for all funds as reflected in the accompanying audited financial statements are in agreement with the fund balances reported by the county office in their unaudited financial statements.

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
SCHEDULE OF CHARTER SCHOOLS  
YEAR ENDED JUNE 30, 2008

**TABLE D-5**

No charter schools are chartered by Imperial County Office Of Education.

Charter Schools

Included In  
Audit?

None

N/A

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF EXCESS SICK LEAVE**  
**YEAR ENDED JUNE 30, 2008**

**TABLE D-6**

The following disclosure is made for excess sick leave as that term is defined in subdivision (c) of Education Code Section 22170.5:

Titles of Employees Exhibiting <u>Excess Sick Leave</u>	Is Excess Sick Leave Authorized By Employee's <u>Contract?</u>	Was Excess Sick Leave Found To Be Accrued For Employee?	Contract Authorizing <u>Excess Sick Leave</u>	Is Excess Sick Leave Authorized In Teachers' <u>Contract?</u>
None	N/A	N/A	N/A	N/A

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2008**

**TABLE D-7**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Direct Programs:			
Medi Cal *	93.778	-	\$ 462,768
Child Care Programs *	93.575	-	4,023,590
Child Development-Federal Alternative Payment *	93.596	-	903,684
Total Direct Programs			5,390,042
Total U. S. Department of Health and Human Services			5,390,042
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Direct Programs:			
Title IV - Drug Free	84.186	-	112,823
Team Gear Up	84.334	-	1,569,502
Teaching American History	84.215	-	307,847
Total Direct Programs			1,990,172
Passed Through State Department of Education:			
Title I	84.010	03064	1,507,403
Migrant Education	84.011	03628	3,967,639
Special Education *	84.027	03779	7,018,265
Workability II Transition Partnership	84.158	03410	78,886
Preschool *	84.173	10042	98,932
Early Intervention	84.181	03385	139,830
Teens Reducing Alcohol Consumption	84.184	10247	350,908
Hands of Hope Monitoring Program	84.184B	05840	110,884
Title V - Innovative	84.298	03340	1,868
Title II - EETT	84.318	14334	1,762
Special Education - State Improvement Grant	84.323	-	10,207
Early Reading First	84.357	03030	748,738
Title III - LEP	84.365	03249	24,358
Title II - Math and Science	84.366	14512	583,921
Title II - Heber Youth Correction	84.367	-	339,508
Title II - Teacher Quality	84.367	03207	19,589
Stop Office Traffic Safety	N/A	-	181,232
Mentoring Children of Prisoners	N/A	-	48,941
Emergency Response & Crisis Management	N/A	-	67,996
Student Drug Testing	N/A	-	196,649
Child Abuse Treatment	N/A	-	149,685
Drug Free Communities	N/A	-	96,393
Elementary/Secondary Counseling	N/A	-	\$ 404,440
Mathematics and Reading Professional Development	N/A	-	\$ 338,390
Total Passed Through State Department of Education			16,486,424
Total U. S. Department of Education			18,476,596
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through State Department of Education:			
National School Lunch Program *	10.555	03396	129,400
Summer Food Service Program *	10.559	03427	306,676
Total Passed Through State Department of Education			436,076
Total U. S. Department of Agriculture			436,076
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Passed Through State Department of Education:			
Learn & Serve America	94.004	05575	44,000
Project Aegis	94.006	10043	635,070
Total Passed Through State Department of Education			679,070
Total Corporation for National and Community Service			679,070
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 24,981,784</b>

\* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Imperial County Office Of Education and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

## Other Independent Auditor's Reports

**Wilkinson Hadley King & Co. LLP**  
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Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

Board of Trustees  
Imperial County Office Of Education  
El Centro, California 92243

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Imperial County Office Of Education as of and for the year ended June 30, 2008, which collectively comprise the Imperial County Office Of Education's basic financial statements and have issued our report thereon dated November 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Imperial County Office Of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Imperial County Office Of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Imperial County Office Of Education's internal control over financial reporting. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Imperial County Office Of Education's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Imperial County Office Of Education's financial statements that is more than inconsequential will not be prevented by the Imperial County Office Of Education's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Imperial County Office Of Education's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Imperial County Office Of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wilkinson Bailey King & Co., LLP*

El Cajon, California  
November 21, 2008



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Report on Compliance with Requirements Applicable  
To each Major Program and on Internal Control over Compliance  
In Accordance With OMB Circular A-133

Board of Trustees  
Imperial County Office Of Education  
El Centro, California 92243

Members of the Board of Trustees:

Compliance

We have audited the compliance of Imperial County Office Of Education with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Imperial County Office Of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Imperial County Office Of Education's management. Our responsibility is to express an opinion on Imperial County Office Of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Imperial County Office Of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Imperial County Office Of Education's compliance with those requirements.

In our opinion, Imperial County Office Of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Imperial County Office Of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Imperial County Office Of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Imperial County Office Of Education's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wilkinson Bailey King & Co., LLP*

El Cajon, California  
November 21, 2008

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Auditor's Report on State Compliance

Board of Trustees  
 Imperial County Office Of Education  
 El Centro, California 92243

Members of the Board of Trustees:

We have audited the basic financial statements of the Imperial County Office Of Education ("District") as of and for the year ended June 30, 2008, and have issued our report thereon dated November 21, 2008. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2007-08*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Description	Procedures In Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Not Applicable
Independent Study	23	Not Applicable
Continuation Education	10	Not Applicable
Adult Education	9	Not Applicable
Regional Occupational Centers and Programs	6	Not Applicable
Instructional Time:		
School Districts	6	Not Applicable
County Offices of Education	3	Yes
Community Day Schools	9	Not Applicable
Morgan-Hart Class Size Reduction Program	7	Not Applicable
Instructional Materials:		
General Requirements	12	Yes
Grades K-8 Only	1	Yes
Grades 9-12 Only	1	Yes
Ratios of Administrative Employees to Teachers	1	Not Applicable
Classroom Teacher Salaries	1	Not Applicable
Early Retirement Incentive Program	4	Not Applicable
GANN Limit Calculation	1	Yes

School Construction Funds:		
School District Bonds	3	Not Applicable
State School Facilities Funds	1	Yes
Excess Sick Leave	2	Yes
Notice of Right to Elect California State Teachers		
Retirement System (CalSTRS) Membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Yes
Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	Not Applicable
Option One Classes	3	Not Applicable
Option Two Classes	4	Not Applicable
Only One School Serving Grades K-3	4	Not Applicable
After School Education and Safety Program:		Not Applicable
General Requirements	4	Not Applicable
After School	4	Not Applicable
Before School	5	Not Applicable
Contemporaneous Records of Attendance, For Charter Schools	1	Not Applicable
Mode of Instruction, for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based		
Instruction, For Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based, For Charter Schools	3	Not Applicable

The term "Not Applicable" is used above to mean either that the District did not offer the program during the current fiscal year or that the program applies only to a different type of local education agency.

Based on our audit, we found that, for the items tested, Imperial County Office Of Education complied with the state laws and regulations referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Imperial County Office Of Education had not complied with the state laws and regulations.

This report is intended solely for the information and use of the Board of Trustees, management, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Wilkinson Harley King & Co., LLP*

El Cajon, California  
November 21, 2008

## Findings and Recommendations Section

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that are  
are not considered to be material weaknesses?        Yes   X   None Reported

Noncompliance material to financial  
statements noted?        Yes   X   No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that  
are not considered to be material weaknesses?        Yes   X   None Reported

Type of auditor's report issued on compliance  
for major programs: Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with section 510(a)  
of Circular A-133?        Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
93.575	Child Development
84.334	Gear Up

Dollar threshold used to distinguish between  
type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes        No

**3. State Awards**

Internal control over state programs:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that are

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

are not considered to be material weaknesses?

☐ Yes

☒ None Reported

Type of auditor's report issued on compliance  
for state programs:

Unqualified

**B. Financial Statement Findings**

None

**C. Federal Award Findings and Questioned Costs**

None

**D. State Award Findings and Questioned Costs**

None

**IMPERIAL COUNTY OFFICE OF EDUCATION**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no findings in the 2007 audit.		